

Message Text

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XMB

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-----087212 111358Z /46

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FM SECSTATE WASHDC

TO AMEMBASSY NAIROBI

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E.O. 11652: N/A

TAGS: EGEN, KE

SUBJECT: KENYA FIBRE POLYESTER PROJECT

1. AS EMBASSY AWARE, KENYA FIBRE CORP. (KFC) APPLICATION
TO EXIMBANK FOR FINANCING DOLS. 17.0 MILLION OF U.S.
COSTS FOR POLYESTER FIBER PLANT DENIED APRIL 7, 1977.
REASONS INCLUDED DEBT-HEAVY CAPITAL STRUCTURE, WEAKNESS
IN MAN-MADE FIBER MARKETS, AND APPARENT HEAVY TARIFF
PROTECTION REQUIRED BY THIS SMALL SCALE PROJECT. SINCE
EXIMBANK DENIAL, CHEMTEX, PROJECT'S U.S. SPONSOR, AND
MADHVANI GROUP IN KENYA HAVE PRESSED FOR RECONSIDERATION.

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2. TO COUNTER EXIMBANK OBJECTION ON CAPITAL STRUCTURE
CHEMTEX OFFERED BY LETTER OF JULY 27, 1977, TO RAISE
DOLS. 4.5 MILLION IN DEBT SUBORDINATED TO ANY EXIMBANK
CREDIT. EXIMBANK REPLY OF AUGUST 9, 1977, INDICATES
CHEMTEX OFFER HELPFUL; HOWEVER, CERTAIN PROJECT-RELATED
PROBLEMS, SOME OF WHICH NOTED ABOVE, REMAIN. COPIES THIS
CORRESPONDENCE BEING POUCHED TO EMBASSY FOR AMBASSADOR'S
ATTENTION.

3. EXIMBANK'S LETTER CONCLUDES RECONSIDERATION OF DENIAL
POSSIBLE IF BORROWER WILL BE GOK RATHER THAN KFC WITH
GOK GUARANTEE. DIRECT GOK OBLIGATION FOR EXIMBANK/

COMMERCIAL BANK FINANCING TO SUPPORT U.S. COSTS WOULD
REDUCE NECESSITY TO RELY PRIMARILY ON PROJECT CASH FLOW
FOR REPAYMENT. CASH FLOW COULD BE INSUFFICIENT FOR DEBT
SERVICE, AND, IN ANY EVENT, WOULD BE DIRECTLY CONTROLLED
BY GOK THROUGH PRICE CEILINGS AND EXTENT OF TARIFF
PROTECTION. EXIMBANK ORIGINALLY MADE THIS REQUEST
INFORMALLY THROUGH CHEMTEX IN LATE 1976 AND RECEIVED REPLY
FROM COMPANY THAT GOK NOT PREPARED TO ACT AS BORROWER FOR
REASONS NOT SPECIFIED. GIVEN CONTINUED HIGH-LEVEL GOK
STATEMENTS OF SUPPORT FOR PROJECT, DENIAL OF KFC
APPLICATION IN APRIL, AND SIGNIFICANT GOK INFLUENCES ON
PROJECT CASH FLOW, EXIMBANK HOPES GOK CAN MODIFY ITS
PREVIOUS POSITION.

4. EXIMBANK WOULD APPRECIATE EMBASSY PRESENTATION THIS
REQUEST TO GOK AND SOLICITATION ITS APPLICATION FOR
FINANCING PROJECT'S U.S. COSTS. CHRISTOPHER

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Message Attributes

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Sent Date: 10-Aug-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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